

COLEMAN AREA FIRE PROTECTION BOARD

COLEMAN, MICHIGAN

**Annual Financial Statements
and Auditors' Report**

For the Year Ended June 30, 2008



SMITH & KLACZKIEWICZ, PC
CPA'S AND CONSULTANTS

COLEMAN AREA FIRE PROTECTION BOARD

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INDEPENDENT AUDITORS' REPORT

To the Coleman Area Fire Protection Board
Coleman, MI

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Coleman Area Fire Protection Board*** (the "***Board***") as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the ***Coleman Area Fire Protection Board***, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Smith + Klaczkiwicz PC

Saginaw, Michigan
October 6, 2008

COLEMAN AREA FIRE PROTECTION BOARD MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Coleman Area Fire Protection Board's (the "Board") financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The Board's net assets increased by \$15,999 or 3%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Board financially as a whole. The Government-wide financial statements provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. As for governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Board's operations in more detail than the government-wide financial statements. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide financial statements
- Notes to the financial statements

Budgetary information for the general fund (Required Supplemental Information)

Reporting the Board as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Board's finances is, "Is the Board better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expense are taken into consideration regardless of when cash is received or paid.

These two statements report the Board's net assets as a way to measure the Board's financial position. The change in net assets provides the reader a tool to assist in determining whether the Board's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as assessment base, and facility conditions in arriving at their conclusion regarding the overall health of the Board.

Reporting the Board's Most Significant Funds

Fund Financial Statements

The Board's fund financial statements provide detail information about the General fund. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain assessments, grants and other sources of revenue. The general fund used by the Board is a governmental fund.

Governmental Funds

The Board's activities are reported in the governmental fund, which focus on how money flows into and out of the General fund and the balances remaining at year-end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Board's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Board's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the notes to the financial statements.

Board-wide Financial Analysis

The statement of net assets provides the perspective of the Board as a whole. The following provides a summary of the Board's net assets as of June 30, 2008 and 2007.

Coleman Area Fire Protection Board Statement of Net Assets

	Governmental Activities	
	2008	2007
Current and other assets	\$ 229,435	\$ 185,665
Capital assets not being depreciated	32,194	30,812
Capital assets being depreciated	<u>330,375</u>	<u>370,157</u>
Total assets	<u>592,004</u>	<u>586,634</u>
Liabilities, current	10,955	10,629
Liabilities, non-current	<u>49,569</u>	<u>60,524</u>
Total liabilities	60,524	71,153
Net assets:		
Invested in capital assets	302,045	329,816
Unrestricted	<u>229,435</u>	<u>185,665</u>
Total net assets	<u>\$ 531,480</u>	<u>\$ 515,481</u>

This analysis focuses on net assets. The Board's net assets were \$531,480 at June 30, 2008. Capital assets, net of related debt totaling \$302,045 compares the original costs, less depreciation of the Board's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from assessments collected for operations of the Board.

The \$229,435 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the general fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Board as a whole are reported in the Statement of Activities, as summarized below. This shows the changes in net assets for the year ended June 30, 2008.

Coleman Area Fire Protection Board Statement of Activities		
	Governmental Activities	
	2008	2007
Revenues:		
Assessments	\$ 146,602	\$141,299
Miscellaneous income	1,053	358
Gain on the sale of capital assets	3,500	-
Investment income	7,835	2,280
Total revenues	158,990	143,937
Expenses	142,991	144,279
Increase (decrease) in net assets	15,999	(342)
Net assets at beginning of year	515,481	515,823
Net assets at end of year	<u>\$ 531,480</u>	<u>\$ 515,481</u>

As reported in the Statement of Activities, the cost of all of our governmental type activities this year was \$142,991. Certain activities were funded from those who benefited from the programs. The Board paid for the remaining "public benefit" portion of our governmental activities interest and miscellaneous revenues.

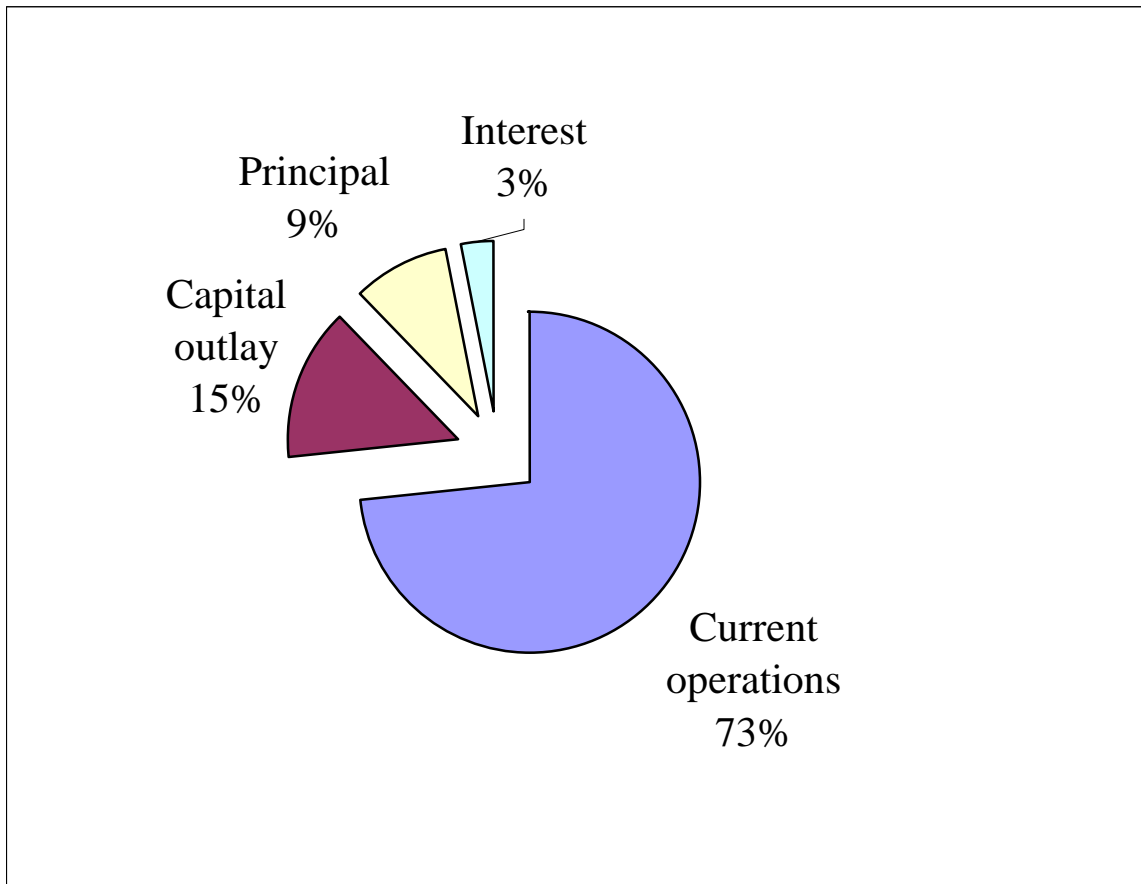
The Board experienced an increase in net assets of \$15,999. Key reasons for the increase included an increase in miscellaneous and investment income and the sale of equipment.

The Board's Fund

The Board uses the general fund to help it control and manage money for particular purposes. Looking at this fund helps the reader consider whether the Board is being accountable for the resources taxpayers and other provide to it and may provide more insight into the Board's overall financial health.

The Boards governmental fund reported a fund balance of \$229,435, which is above last year's total of \$185,665 which is an increase of \$43,770. The increase is primarily the result of a decrease in insurance premiums and less expenditures spent in vehicle repairs and maintenance and building repairs and maintenance.

As the graph below illustrates 73% of the Board's general fund resources are spent on payroll and payroll related expenses and other current operations. Another 12% is spent on repayment on the capital lease, while 15% is capital outlay expenses.



General Fund Budgetary Highlights

Over the course of the year, the Board revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Board's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were no changes to the general fund original revenue budget. The original expenditure budget was increased \$1,174 in anticipation of more miscellaneous expenditures.

The differences between the final amended budget and the final actual amounts are as follows:

- Actual revenues exceeded budgeted revenues by \$12,065. The difference is the result of higher than anticipated investment income.

- Actual expenditures were less than the budgeted expenditures by \$32,429. The difference is mainly due to the use of contingency expenditures not need in the current year.

Capital Assets

At June 30, 2008, the Board had a net investment of \$302,045 in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of \$27,771 or 8.4% from last year.

The Board expects to complete the work on a new truck in the upcoming fiscal year and has already spent \$13,001 on the tanker for the new truck. More detail information is presented in the notes to the financial statements.

Debt

At the end of the year, the Board had \$60,524 in long-term debt, consisting of a capital lease for the purchase of a Pumper Truck.

Factors Expected to Have an Effect on Future Operations

The Board expects revenue from assessments and expenditures related to current operations to remain consistent in the upcoming fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Coleman Area Fire Protection Board. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Coleman Area Fire Protection Board
PO Box 366
Coleman, MI 48618

COLEMAN AREA FIRE PROTECTION BOARD

STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET

June 30, 2008

	General Fund	Adjustments	Governmental Activities
Assets			
Cash and cash equivalents	\$ 166,926	\$ -	\$ 166,926
Investments	60,328	-	60,328
Interest receivable	1,437	-	1,437
Prepaid expense	744	-	744
Nondepreciable capital assets		32,194	32,194
Depreciable capital assets, net		330,375	330,375
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 229,435</u>	<u>362,569</u>	<u>592,004</u>
Liabilities			
Accounts payable	\$ -	-	-
Noncurrent liabilities:			
Due within one year	-	10,955	10,955
Due in more than one year	-	49,569	49,569
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>60,524</u>	<u>60,524</u>
Fund Balance/Net Assets			
Fund Balance			
Unreserved	229,435	(229,435)	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balance and liabilities	<u>\$ 229,435</u>		
Net assets			
Invested in capital assets, net of related debt			302,045
Unrestricted			229,435
			<u> </u>
Total net assets			<u>\$ 531,480</u>

The accompanying notes are an integral part of these financial statements

COLEMAN AREA FIRE PROTECTION BOARD

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2008

	General Fund	Adjustments	Governmental Activities
Revenues			
Assessments	\$ 146,602	\$ -	\$ 146,602
Miscellaneous income	1,053	-	1,053
Gain on sale of capital assets	3,500	-	3,500
Investment income	7,835	-	7,835
	<u>158,990</u>	<u>-</u>	<u>158,990</u>
Total revenues			
Expenditures/expenses			
Fire protection:			
Current operations	84,476	15,387	99,863
Capital outlay	16,769	(16,769)	-
Depreciation	-	39,782	39,782
Debt service:			
Principal	10,435	(10,435)	-
Interest	3,540	(194)	3,346
	<u>115,220</u>	<u>27,771</u>	<u>142,991</u>
Total expenditures/expenses			
Net change in fund balance/net assets	43,770	(27,771)	15,999
Fund balance/net assets, beginning of period	185,665	329,816	515,481
Fund balance/net assets, end of period	<u>\$ 229,435</u>	<u>\$ 302,045</u>	<u>\$ 531,480</u>

The accompanying notes are an integral part of these financial statements

COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Coleman Area Fire Protection Board (the “Board”) conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Board was organized to provide fire protection to the residents of the City of Coleman, Warren and Geneva Township in Midland County and Denver and Wise Township in Isabella County. The accompanying financial statements present the Board’s operations for the government as a whole.

The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit’s financial report is the exercise of financial responsibility over such agencies by the governmental unit’s elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

The Board does not meet the criteria to be included in the financial statements of the creating governments because they do not have the requisite degree of oversight responsibility. In addition, there are no other governmental units’ financial statements, for which the Board has oversight responsibility, which should be included in the accompanying financial statements.

Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the Board uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The Board’s major fund, the General Fund, is reported in a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

Governmental fund (general fund) financial statements (general fund balance sheet and general fund statement of revenues, expenditures and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major *governmental* fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are state at fair value.

Capital Assets

Capital assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add value or materially extend assets lives are not capitalized.

Buildings, vehicles and equipment are being depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Machinery and equipment	5 to 12 years

COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statement, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of differences between the governmental fund balance sheet and the statement of net assets

Fund Balance – General Fund	\$ 229,435
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.

Cost of capital assets	810,270
Accumulated depreciation	(447,701)

Long-term liabilities are not due and payable in the current period and are not reported in the fund.

Capital lease	<u>(60,524)</u>
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Net assets of governmental activities	<u>\$ 531,480</u>
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COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

Net change in fund balance – General Fund \$ 43,770

Amounts reported for governmental activities in the statement
Of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Capital outlay \$ 1,382

Depreciation expense (39,782)

Repayment of capital lease is an expenditure in the
governmental funds, but not in the statement of activities
(where it reduces long-term debt). 10,435

Interest expense is recorded in the statement of activities
when incurred, it is not reported in the governmental funds
until paid. 194

Change in net assets of governmental activities \$ 15,999

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

The Board's procedures for establishing budgetary data are as follows:

The treasurer submits a proposed budget for the upcoming year to the Board. The budget is reviewed by the Board and a public hearing is held. Prior to the beginning of the year, the budget is adopted and placed in the Board minutes by the Board.

The budget for the General Operating Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts shown in the financial statements consist of those amounts contained in the formal budget approved and amended by the Board.

COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

The Board adopts a budget for the general operating fund by means of an appropriations act, on a control activity basis in summary form. Periodic internal reporting is on a detail basis in accordance with the state-prescribed uniform chart of accounts consistent with the way the books are maintained. The budget is prepared on the modified accrued basis of accounting.

Variances at the legal level of control are as disclosed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

All annual appropriations lapse at fiscal year end.

NOTE D - DETAILED NOTES ON ALL FUNDS

Deposits

At year-end, the carrying amounts of the Board's deposits were as follows:

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions	
Cash and cash equivalents	\$ 166,926
Investments	<u>60,328</u>
	<u>\$ 227,254</u>
Notes to Financial Statements	
Deposits	<u>\$ 227,254</u>

This entire balance is considered to be deposits for disclosure purposes.

Deposit and investment risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks

COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

The Board's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest Rate Risk

The Board's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Board's investment policy does not have specific limits in excess of state law on investment credit risk. At year-end, the Board had no investments and was therefore, not exposed to credit risk.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. State law does not require and the Board does not have a policy for deposit custodial credit risk. At year-end, \$132,793 of the Board's bank balance of \$238,560 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk. The Board's investment policy does not have specific limits in excess of state law on concentration of credit risk. At year-end, the Board had no investments and was therefore, not exposed to concentration of credit risk.

COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 30,812	-	-	\$ 30,812
Work in progress	-	1,382	-	1,382
Total capital assets not being depreciated	30,812	1,382	-	32,194
Capital assets being depreciated				
Buildings	225,000	-	-	225,000
Machinery and equipment	635,076	-	(82,000)	553,076
Total capital assets being depreciated	860,076	-	-	778,076
Less accumulated depreciation				
Buildings	(101,250)	(5,625)	-	(106,875)
Machinery and equipment	(388,669)	(34,157)	82,000	(340,826)
Total accumulated depreciation	(489,919)	(39,782)	-	(447,701)
Net capital assets being depreciated	370,157	(39,782)	-	330,375
Total net capital assets	\$ 400,969	\$ (38,400)	\$ -	\$ 362,569

Depreciation expense was charged to the Board as follows:

Public safety	\$ 39,782
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Long-Term Debt

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Capital lease	\$ 70,959	\$ -	\$ (10,435)	\$ 60,524	\$ 10,955

COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

A summary of outstanding debt as of June 30, 2008 is as follows:

Capital lease payable to Oshkosh Capital,
secured by equipment, due in annual
installments of \$13,975, including interest
at 4.99% through June 2013. \$ 60,524

Annual debt service requirements to maturity for the capital lease are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 10,955	\$ 3,020
2010	11,502	2,473
2011	12,076	1,899
2012	12,679	1,297
2013	<u>13,312</u>	<u>661</u>
	<u>\$ 60,524</u>	<u>\$ 9,350</u>

The amount of interest expense included as a direct function expense in the Statement of Activities for the year ended June 30, 2008, was \$3,346.

NOTE E – OTHER INFORMATION

Risk Management

The Coleman Area Fire Protection Board is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Coleman Area Fire Protection Board participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan, member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Coleman Area Fire Protection Board.

COLEMAN AREA FIRE PROTECTION BOARD

NOTES TO FINANCIAL STATEMENTS

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Boards Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost that would be available on an individual basis.

NOTE F – RELATED PARTY TRANSACTIONS

The Board has purchased services for vehicle and equipment maintenance during the year from businesses whose owner is also a member of the Board of Directors in the amount of \$2,167.

COLEMAN AREA FIRE PROTECTION BOARD

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Assessments	\$ 146,925	\$ 146,925	\$ 146,602	\$ (323)
Miscellaneous income	-	-	1,053	1,053
Gain on the sale of capital assets	-	-	3,500	3,500
Investment income	-	-	7,835	7,835
	<u>146,925</u>	<u>146,925</u>	<u>158,990</u>	<u>12,065</u>
Total revenues				
Expenditures				
Wages and benefits	56,675	56,675	53,598	(3,077)
Insurance	13,600	13,600	12,437	(1,163)
Utilities	7,850	7,850	4,474	(3,376)
Vehicle repair and maintenance	4,500	4,500	2,234	(2,266)
Gas, oil and grease	3,650	3,650	2,267	(1,383)
Equipment repair and maintenance	3,500	3,500	2,373	(1,127)
Radio repair and maintenance	1,000	1,000	367	(633)
Building repair and maintenance	1,000	1,000	388	(612)
Dues and education	2,500	2,500	650	(1,850)
Supplies	500	500	414	(86)
Professional fees	2,000	2,000	2,000	-
Miscellaneous	2,100	3,274	3,274	-
Contingency	14,200	14,200	-	(14,200)
Capital outlay	18,400	18,400	16,769	(1,631)
Debt service	15,000	15,000	13,975	(1,025)
	<u>146,475</u>	<u>147,649</u>	<u>115,220</u>	<u>(32,429)</u>
Total expenditures				
Net change in fund balance	450	(724)	43,770	44,494
Fund balance, beginning of period	<u>185,665</u>	<u>185,665</u>	<u>185,665</u>	<u>-</u>
Fund balance, end of period	<u>\$ 186,115</u>	<u>\$ 184,941</u>	<u>\$ 229,435</u>	<u>\$ 44,494</u>



SMITH & KLACZKIEWICZ, PC

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A VETERAN OWNED BUSINESS

To the Coleman Area Fire Protection Board
Coleman, Michigan

In planning and performing our audit of the financial statements of the ***Coleman Area Fire Protection Board*** for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

1) Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2) Lack of Segregation of Duties

Criteria: Segregation of duties is an essential component of a sound system of internal controls. When job responsibilities are properly segregated, a system of "checks and balances" is created, thereby reducing the risk of intentional or unintentional errors and/or omissions in the accounting records.

Condition: During the course of our audit, we noted instances where multiple key financial duties were being performed by the same individual.

Cause: This condition is caused by the nature and size of Coleman Area Fire Protection Board's organizational structure.

Effect: The Coleman Area Fire Protection Board lacks adequate segregation of duties for matters related to accounting, financial reporting and cash management. This situation increased the risk that improper transactions could be initiated and processed and not be detected in a timely manner.

View of Responsible Official: Management will identify opportunities to segregate incompatible duties and will implement procedures to mitigate the risks created by the lack of personnel available to perform critical accounting functions.

The Board's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Coleman Area Fire Protection Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Smith + Klayhenwig PC |

Saginaw, Michigan

October 6, 2008